Property

Ground Check: Johor Likely To Mirror Shenzhen's Playbook

OVERWEIGHT
(Maintained)

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Highlights

- There is strong take-up for recent mass-market launches in Johor, while RTS-core take-up hinges on density, pricing and eligibility limits.
- Nevertheless, Johor's property values could mirror Shenzhen's price gains seen during infrastructure build-out and policy easing phases.
- **Maintain OVERWEIGHT on palatable valuations (+0.5SD above mean).** The sector's multi-year growth trajectory remains intact, supported by infrastructure upgrades and resilient demand especially in Johor. Top picks: Sunway, Eco World and Mah Sing. Meanwhile, accumulate Lagenda on its high dividend yield and SP Setia after its recent sell-down.

Analysis

- **Strong local demand for mass-market launches (RM400,000-500,000) >3km from Rapid Transit System (RTS),** driven primarily by affordability and local demand. Most units are priced around RM800psf, catering to a broad middle-income buyer pool. Buyers are predominantly Malaysians, including those working in Singapore.
- **M Grand Minori (Phase 1)** attracts local downgraders from mature neighbourhood such as Taman Pelangi. Many of them work in Singapore, with intended usage split equally between own-stay and rental.
- **Sunway Majestic (Phase 1)** has obtained approval for a lower foreign purchase threshold of RM600,000. Buyers are 80% locals, including locals working in Singapore and locals based in Johor (eg medical trainees at KPJ). The remaining 20% are from Singapore, Korea, Taiwan, China, and India. Usage mix also appears split, with investor-type buyers more concentrated in Tower A (540 units) and owner-occupiers in Tower B (472 units).
- **The Asteriaz @ Kebun Teh (Phase 1)** attracts mainly owner-occupier interest base (young couples and families), with limited foreign buyers (<5%).
- **In contrast, take up for RTS-core projects (those <1km from RTS) hinges on density, pricing and eligibility limits.** Launch pricing generally ranges RM1,300-1,400psf, with a wider eligible buyer pool for units that meet foreign purchase thresholds.
- **Causewayz Square** has 20% of units priced at >RM1m and thus eligible for foreign purchase. Overall booking stood at 57% since registration started in Jun 25. Foreigners account for 30-40% of bookings, led by Singaporeans (40% of foreign pool), followed by buyers from China, Taiwan, Hong Kong.
- **e) Arden** is a less-dense project comprising 618 units, priced at >RM1m. The project has achieved 75% take-up since its launch in Mar 25. Foreigners contributed 60% of total purchasers, led by Singaporeans (67% of foreign pool), followed by investors from Indonesia, China, Taiwan, Japan and the US.

Sector Picks

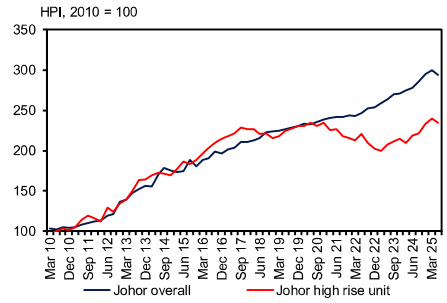
Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Eco World	ECW MK	BUY	2.05	2.70
Sunway	SWB MK	BUY	5.39	6.00
Mah Sing	MSGB MK	BUY	1.03	1.57

Source: Bloomberg, UOB Kay Hian

Sector One-Year Forward PB

Source: Bloomberg

Johor's House Price Index


HPI, 2010 = 100
350
300
250
200
150
100
Mar 10 Dec 10 Sep 11 Jun 12 Mar 13 Dec 13 Sep 14 Jun 15 Mar 16 Dec 16 Sep 17 Jun 18 Mar 19 Dec 19 Sep 20 Jun 21 Mar 22 Dec 22 Sep 23 Jun 24 Mar 25
Johor overall
Johor high rise unit

Source: NAPIC

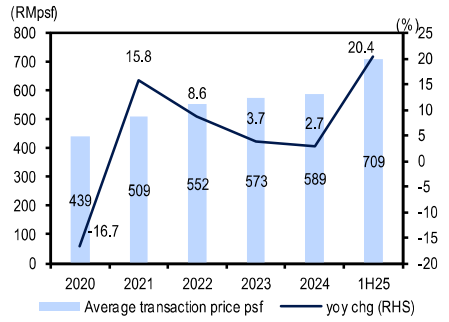
Peer Comparison

Company	Ticker	Rec*	Price 5 Nov 25 (RM)	Target Price (RM)	Upside To TP (%)	Last Year End	PE 2024A (x)	PE 2025E (x)	PE 2026E (x)	Yield 2025E (%)	ROE 2026E (%)	Market Cap. (RMm)	PB 2026E (x)
Eco World Development	ECW MK	BUY	2.05	2.70	31.7	10/24	17.9	16.1	12.5	3.9	9.7	6,561	1.2
IOI Properties Group	IOIPG MK	BUY	2.09	2.72	30.1	6/25	16.5	29.7	17.3	3.8	2.7	11,508	0.5
Lagenda Properties	LAGENDA MK	BUY	1.26	1.74	38.1	12/24	6.2	5.7	3.9	6.5	17.4	1,052	0.9
Mah Sing Group	MSGB MK	BUY	1.03	1.57	52.4	12/24	10.8	9.0	8.3	5.7	7.4	2,637	0.6
Matrix Concepts	MCH MK	BUY	1.35	1.70	25.9	3/25	12.5	9.8	9.5	5.3	11.0	2,534	1.0
SP Setia	SPSB MK	BUY	0.83	1.48	78.3	12/24	6.7	8.6	7.0	2.9	3.8	4,153	0.3
Sunway Bhd	SWB MK	BUY	5.39	6.00	11.3	12/24	35.7	36.8	30.4	1.3	7.3	33,555	2.2
UEM Sunrise	UEMS MK	BUY	0.62	0.92	49.6	12/24	20.8	30.9	25.2	2.4	1.7	3,111	0.4

Source: UOB Kay Hian

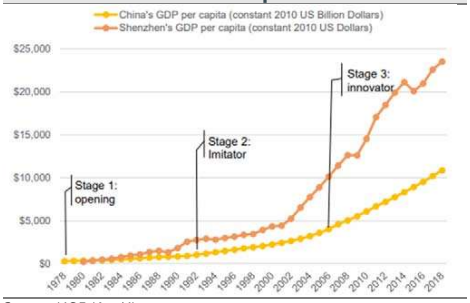
- **Widespread oversupply concern on the ground.** During our recent ground trip to Johor, one recurring concern raised was the potential supply glut in the RTS-core areas, where 25,000-30,000 units launched recently are scheduled for completion in 2029-30. Developers are racing to clear inventories before the commencement of RTS by end-26.
- **Shenzhen as case study.** While concerns on oversupply are understandable, past cycles suggest that large infrastructure catalysts often trigger an initial burst of launches before demand catches up as connectivity benefits materialise. To illustrate the strength of potential underlying demand, we take the evolution of Shenzhen property prices as case study. In summary, prices rose following the initial inclusion of the high speed rail (HSR) in the National Plan and continued to climb during the construction phase, as: a) connectivity premium and mixed-use appeal become more apparent nearing completion, and b) favourable policies were introduced in selected years.
  a) **Planning and pre-construction phase (2004-09).** The Guangzhou-Shenzhen-Hong Kong HSR was formally included in China's medium-to-long-term Railway Network Plan in 2004. During 2005-10, Shenzhen's local government, particularly Futian District, began adjusting land use and transport plans to accommodate the upcoming HSR hub. Property prices in Shenzhen rose by a strong five-year CAGR of 20% during 2004-09, driven by optimism and anticipation of the HSR commencement.
  b) **Construction phase (2010-18).** Construction of HSR began in Jan 10, coinciding a wave of large-footprint mixed-use CBD developments, including Excellence Century Plaza (2007-10), Ping An Finance Center (2009-16) and Hon Kwok City Centre (2010-17), followed by UpperHills (2014-20). While national macro-policies such as PBOC's rate cuts and credit easing in 2015-16 contributed to the rebound, we believe infrastructure investments were structural factors underpinning Shenzhen's rise in property prices (13% CAGR during 2010-18). Notably, Futian District, the CBD anchor of HSR in Shenzhen, saw a higher new home price growth of 15% CAGR during the same period.
  c) **Post-completion phase (2018-21).** HSR's commencement in Sep 18 shortened travelling time between West Kowloon and Futian to as fast as 14 minutes. Shenzhen's price growth moderated to around a 4% three-year CAGR during 2018-21 according to NBS, amid tighter national housing controls.
- **Hence, we think these oversupply concerns are somewhat overstated.** We believe mixed-use transit-oriented developments with direct RTS access should continue to see healthy take-up and room for price appreciation as connectivity premium and mixed-use appeal becomes more tangible nearing completion. Current launch pricing of RM1,300-1,400psf near the RTS may seem elevated, yet transactions continue to close at these levels (11% CAGR over 2023-1H25). This reflects sustained interest from Malaysian working in Singapore and regional investors.
- **Gradual price appreciation in outer areas driven by industrialisation and deepened connectivity.** On the other hand, we also expect property prices outside the core RTS areas to see a gradual price appreciation over the longer term, supported by industrialisation and wider connectivity upgrades. The pace of appreciation so far (6% CAGR during 2023-1H25) is still modest compared with Shenzhen's 17% 10-year CAGR during its industrial transformation phase (2005-15), suggesting Johor is still in the early stage of a structural upcycle. According to the Department of Statistics Malaysia, Johor's median household income rose to RM7,714 in 2024 (6% two-year CAGR), reflecting broad local income growth. Meanwhile, many Malaysians working in Singapore as S-Pass holders typically earn >RM10,000, and enjoy significantly higher disposable income. Combined

JB City Serviced Apartment Prices



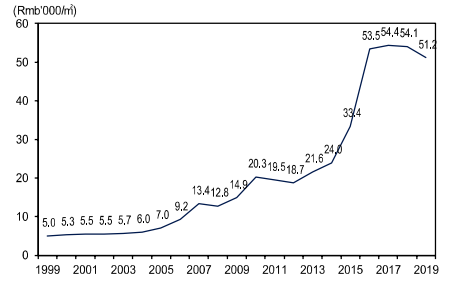
Source: JLL, UOB Kay Hian

Shenzhen's GDP Per Capita Trend



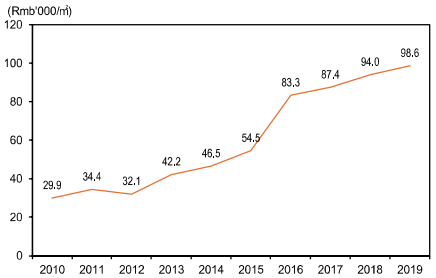
Source: UOB Kay Hian

Shenzhen House Price Trend (1999-2019)



Source: Sohu, UOB Kay Hian

Futian District New Home Prices (2010-2019)



Source: Leyoujia, UOB Kay Hian

with JS-SEZ-driven wage targets (RM3,500-5,000 for skilled locals, up to RM10,000 for high-value roles), these trends point to rising household earnings and improving affordability in Johor's growth corridors. Johor's GDP is projected to accelerate to 7.8% per annum to RM260b by 2030 on stronger industrial growth and job creation, spurring housing demand and property price re-rating.

Valuation/Recommendation

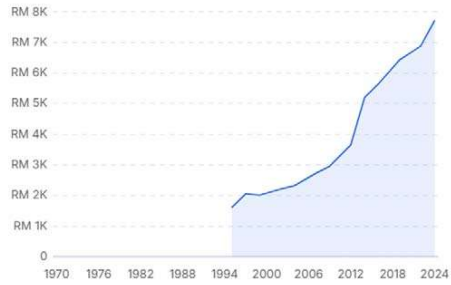
- **Maintain OVERWEIGHT.** We remain upbeat on the sector, driven by: a) a falling interest rate environment, b) JS-SEZ-driven demand for industrial land, and c) infrastructure progress spurring demand for transit-oriented development. The sector currently trades at 0.9x 12-month forward P/B, 0.5SD above the10-year historical mean. Our top picks remain as Sunway, Eco World and Mah Sing. We recommend to accumulate laggards namely Lagenda on its high dividend yield and SP Setia after its recent sell-down.

Sector Catalyst/Risk

- **Key risks to our investment thesis** include: a) unsuccessful execution of infrastructure- or property-related developments and negative newsflow, b) slower-than-expected take-up rates caused by macroeconomic uncertainty, c) spikes in building material costs, and d) impairments on receivables and completed inventories.

Johor's Median Household Income

Latest (2024)	Growth Rate (CAGR)
RM 7,712 / month	5.7%



Source: Department of Statistics Malaysia, UOB Kay Hian

Location Of CBDs In Shenzhen

Source: Atlantis Press, Bloomberg

Serviced Apartment And Soho Launches In Johor

Project	Launch time	Units	Built-up sizes (sqft)	Unit price (RM)	Price per sqft (RMpsf)	Distance to RTS
Sky One by CTC	4Q25	1,600	452-1,259	577k-1.5m	1,400 (gross)	300m to RTS
Gen Sphere	3Q25	996	459-755	from 609k	1,330-1,565	440m to CIQ/700m to RTS
Gen Rise	1Q25	732	497-1,930	from 563k	1,132-1,354	720m to CIQ/980m to RTS
Axis Tower @ Causewayz Square	4Q25	908	366-592	593k-975k	1,571-1,702 (gross)	600m to CIQ/800m to RTS
Brixton @ Causewayz Square	4Q25	1,257	474-850	691k-1.22m	1,376-1,515 (gross)	600m to CIQ/800m to RTS
Dover Tower @ Causewayz Square	4Q25	1,527	474-850	700k-975k	1,398-1,535 (gross)	600m to CIQ/800m to RTS
Arden Serviced Residence	1Q25	618	797-1,700	1.1m-2.3m	1,300-1,400	800m to CIQ/600m to RTS
Oasis Residences	3Q25	612	513-1,191	649k-3.07m	1,400-1,600	900m to RTS
Senyum Residences	1Q25	1,257	419-1,167	513k-1.26m	1,079-1,400	950m to CIQ/900m to RTS
Summer Suites	3Q25	748	599-912	from 620k	c.1,000	900m to CIQ/1.1km to RTS
3rd Phase of R&F Princess Cove	1Q25	4,385	313-1,555	530k-2.09m	1,000-1,300	1.1km to CIQ/1.3km to RTS
Sunway Majestic	3Q25	1,012	473-688	460k-688k	800-850	4km to CIQ/3km to RTS
M Grand Minori (Phase 1)	3Q25	1,733	403-835	390k-769k	921-968 (gross)	5.4 to CIQ/3km to RTS
The Address Pelangi JB	3Q25	2,743	450-865	from 426k	946	3km to CIQ/RTS
The Asteriaz @ Kebun Teh	1Q25	848	560-915	475k-770k	751-940 (gross)	3.3 km to CIQ/RTS
One Sentosa @ Plaza Sentosa	3Q25	1,623	430-968	400k-900k	851-930	5.3km to CIQ/4.4km to RTS
Tropicana Lido Waterfront Boulevard (Skypark Kepler)	3Q25	1,596	463-807	587k-1.5m	1,252-1,907	5 km to RTS
Johor Bahru Paragon Getway	3Q23	2,136	499-1,177	410k-908k	348-1,820	5km to CIQ/RTS
Calia Residences @ Danga Bay	2Q25	1,274	453-984	400k-815k	813-916 (gross)	7.7km to CIQ/7.7km to RTS

Core-RTS areas
Non-core RTS areas

Source: Third-party websites, UOB Kay Hian

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